Cambridge Assessment International Education

Cambridge Pre-U

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER				

BUSINESS AND MANAGEMENT **9771/01**

Paper 1 Business Concepts **May/June 2023**

2 hours 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Section 1: answer **all** questions.
- Section 2: answer **all** questions.
- Section 3: answer **one** question.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.

INFORMATION

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [ ].
- The insert contains the case study.

This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate.

This document has **28** pages. Any blank pages are indicated.

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Section 1: Multiple Choice

Answer **all** questions in this section.

For each question there are four possible answers **A**, **B**, **C** and **D**. Choose **one** you consider correct and fill in the box (X) to show your answer.

You are advised to spend 30 minutes on the 20 questions in this section.

1 Which **one** of the following is a source of secondary market research?

- [ ] **A** competitor's questionnaire results
- [ ] **B** data from a loyalty card
- [ ] **C** focus group [1]
- [ ] **D** survey using the internet

2 A manufacturing business has fixed costs of £75 000. The variable cost per unit is £30 and the price is £50.

What is the margin of safety if the business sells 4000 units?

- [ ] **A** 50 units
- [ ] **B** 150 units
- [ ] **C** 250 units
- [ ] **D** 300 units [1]

3 Which **one** of the following is a core job characteristic from the Hackman and Oldham job characteristics model?

- [ ] **A** autocratic leadership
- [ ] **B** self-actualisation
- [ ] **C** skill variety
- [ ] **D** works councils [1]

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4 Ratio analysis of a business produced the following results last year:

Gross profit margin	45%
Operating profit margin	12%
Return on capital employed (ROCE)	10%

The business had revenue of £500 000 last year. What was the cost of goods sold?

☐ **A** £225 000

☐ **B** £275 000

☐ **C** £440 000

☐ **D** £450 000 [1]

5 Which **one** of the following refers to SMART objectives?

☐ **A** specific, measurable, attainable, recent and timeless

☐ **B** specific, measurable, attributable, recent and time-bound

☐ **C** specific, measurable, attributable, relevant and timeless

☐ **D** specific, measurable, attainable, relevant and time-bound [1]

6 RT is a smartphone retailer. Table 6.1 shows some market data:

Table 6.1 Market data

	2021	2022
RT's market share	14%	15%
RT's sales volume (000s)	42	45

What is the change in the size of the smartphone market?

☐ **A** 0%

☐ **B** 1%

☐ **C** 6.67%

☐ **D** 7.14% [1]

7 Which **one** of the following is a likely benefit of agglomeration?

- [ ] **A** external economies of scale
- [ ] **B** financial economies of scale
- [ ] **C** purchasing economies of scale
- [ ] **D** technical economies of scale [1]

8 Table 8.1 shows some employee data for a business. All employees work for five days a week.

Table 8.1 Employee data for 2022

	Number of workers	Number of workers who left	Number of days absent
Manufacturing department	100	15	100
Marketing department	12	2	5
Administration department	24	3	30

Which of the following is true?

- [ ] **A** The manufacturing department has the highest labour turnover and the highest absenteeism.
- [ ] **B** The manufacturing department has the lowest labour turnover and the highest absenteeism.
- [ ] **C** The marketing department has the highest labour turnover and the lowest absenteeism.
- [ ] **D** The marketing department has the lowest labour turnover and the lowest absenteeism.

[1]

9 Which **one** of the following is always a lawful reason for a business to process personal data about their customers under the Data Protection Act 2018?

- [ ] **A** when it is needed for the performance of a contract
- [ ] **B** when it is not in the public interest
- [ ] **C** when the business wants the data for use in its marketing
- [ ] **D** when there is no consent [1]

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10 Netflix was set up in 1997 and started its media streaming service in 2007. In 2013, Netflix produced its first original content series, 'House of Cards' which was streamed on the Netflix platform to existing users.

This would have been classified on Ansoff's matrix as:

☐ **A** diversification

☐ **B** market development

☐ **C** market penetration

☐ **D** product development [1]

11 Table 11.1 shows a cash flow forecast for a business selling ice cream.

Table 11.1 Three-month cash flow forecast (£000s)

	July	August	September
Cash inflow:			
Revenue	20	30	30
Total inflow	20	30	30
Cash outflow:			
Raw materials	10	12	13
Expenses	5	10	10
Total outflow	15	22	23
Net cash flow	5	8	7
Opening balance	100	105	113
Closing balance	105	113	120

The finance manager has been told that because of cost increases, cash outflows for raw materials will increase by 10% from the start of July.

Based on this increase, what will the new forecast closing balance be in September?

☐ **A** £116 500

☐ **B** £117 800

☐ **C** £119 000

☐ **D** £123 500 [1]

12 Which **one** of the following is most likely to happen when the capacity management of a service organisation moves into the coping zone?

- [ ] **A** a decrease in liquidity
- [ ] **B** a decrease in quality
- [ ] **C** an increase in customer satisfaction
- [ ] **D** an increase in the gearing ratio [1]

13 A shoe retailer sells one style of shoe for £60 per pair. It reduces the price by £15 per pair. Sales of this style increased from 100 pairs per month to 120 pairs per month.

This suggests that the price elasticity of demand for this style of shoe is:

- [ ] **A** –1.25
- [ ] **B** –0.8
- [ ] **C** 0.8
- [ ] **D** 1.25 [1]

14 A business is installing new machinery in its factory. The operations manager wants to use critical path analysis to estimate how long the installation will take.

The partially completed network diagram is shown in Fig. 14.1. The duration is in days.

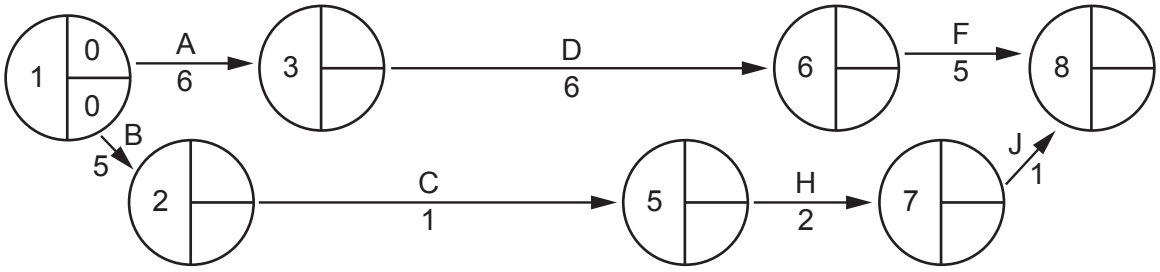

Fig. 14.1 Partially completed network diagram for the installation

What is the shortest time in which the installation could be completed?

- [ ] **A** 9 days
- [ ] **B** 17 days
- [ ] **C** 18 days
- [ ] **D** 26 days [1]

15 A restaurant selling hot takeaway food must add 20% VAT to its products. A meal currently has a price of £6 including VAT.

If the rate of VAT on hot takeaway food changed to 15%, what would be the new price for the meal?

- [ ] **A** £5.10
- [ ] **B** £5.70
- [ ] **C** £5.75
- [ ] **D** £6.90 [1]

16 Which **one** of the following is most likely to be included in a person specification?

- [ ] **A** curriculum vitae
- [ ] **B** hours of work
- [ ] **C** qualifications required
- [ ] **D** span of control [1]

17 Which **one** of the following is a likely disadvantage to a franchisee of setting up a business as a franchise?

- [ ] **A** need to establish a customer base
- [ ] **B** profits may be shared
- [ ] **C** risk of failure may be greater
- [ ] **D** the brand may be unknown [1]

18 A bookshop has segmented its market demographically.

Which **one** of the following is most likely to be one of the bookshop's target market segments?

- [ ] **A** people aged from 16 to 30
- [ ] **B** people who use libraries
- [ ] **C** people located in the UK
- [ ] **D** people with an interest in academic learning [1]

19 A business is considering four different investments. Table 19.1 shows some investment appraisal data.

Table 19.1 Investment appraisal data

Investment	**A**	**B**	**C**	**D**
Payback	2 years	2 years	3 years	3 years
ARR	10%	12%	8%	10%
NPV	£10 000	£12 000	£11 000	£12 000
IRR	13%	14%	13%	14%

Which investment should the business choose, based on the given data?

- [ ] **A** Investment A
- [ ] **B** Investment B
- [ ] **C** Investment C
- [ ] **D** Investment D [1]

20 Which **one** of the following is most likely to be a benefit to a business of trade union involvement in business activity?

- [ ] **A** employees will not go on strike
- [ ] **B** improved workplace communication
- [ ] **C** easier to terminate workers' employment
- [ ] **D** wages will be lower [1]

Section 2: Case Study

Read the case study in the insert and answer **all** questions in this section.

You are advised to spend 1 hour and 15 minutes on this section.

21 **(a)** Refer to the data in Fig. A.

(i) Calculate FF's capital employed for 2022. [1]

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(ii) Calculate the change in FF's return on capital employed between 2021 and 2022. [3]

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(b) Evaluate FF's recent performance. [6]

22 Evaluate the usefulness to FF of time series analysis when making decisions about the new shop in central London. [10]

23 Evaluate the possible diseconomies of scale that FF may experience as it grows. [10]

24 Recommend whether FF should become a more ethical and sustainable business. Justify your recommendation. [10]

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Section 3: Essay

Answer **one** question in this section.

You are advised to spend 1 hour on this section. Relevant references to real world business examples will be expected.

EITHER

25 Nectar is the largest loyalty card scheme in the UK and comprises a number of partner companies including Sainsbury's, Esso and eBay.

Evaluate the advantages and disadvantages to a business of using a loyalty card scheme. [40]

OR

26 'We are stubborn on vision. We are flexible on details.' (Jeff Bezos, founder of Amazon).

Evaluate the benefits of flexibility to e-commerce platforms. [40]

OR

27 The number of people who did some work at home in 2020 rose by 9.4 percentage points from a year earlier to 35.9% of the workforce – representing more than 11 million employees.

Evaluate the impact on UK businesses of an increase in working from home. [40]

OR

28 Evaluate the extent to which public limited companies are controlled by their shareholders. [40]

Write the question number here .....

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